

Key Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Key Housing Association Ltd (Key) during the financial year 2016/17. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Key was registered as a social landlord in 1978 and provides housing and support to people with a wide range of disabilities. It is a registered charity based in Glasgow and operates across 15 local authority areas. It owns and manages around 712 houses and employs around 1,260 full time equivalent staff, mainly support staff. Its turnover for the year ended 31 March 2015 was just over £42.6 million. It has two unregistered subsidiaries Community Lifestyles Limited and KHA Developments Ltd.

Systemic importance

We refer to a small number of RSLs as 'systemically important' because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate and the risks they face, so we seek some additional assurance through our regulation plans.

Given Key's turnover we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

We have been engaging with Key about the risks and challenges it faced around its pensions liabilities. Key has reached an agreement with the Pensions Trust to address this in the short/medium term. We will continue to engage with Key as we consider it to be of systemic importance and to understand how it plans to manage the risks it faces in particular its exposure to future pension risks.

Our engagement with Key Housing Association Ltd – Medium

Due to Key's turnover we consider it to be of systemic importance and as a result we will have medium engagement with it in 2016/17.

1. Key will send us the minutes of its governing body and audit committee meetings each quarter.
2. Key will send us by 30th June 2016:
 - its approved business plan for it and its subsidiaries including commentary on the results of its sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiaries consisting of statement of comprehensive income, statement of financial position and statement of cash flows, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis for it and its subsidiary which considers the key risks including covenant compliance;

- its reports to the governing body of Key and its subsidiaries in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
3. We will:
- review the minutes of the governing body and audit committee meetings;
 - provide feedback on the business plans and projections for Key and its subsidiaries in quarter two of 2016/17; and
 - meet senior staff and the Board in quarter two of 2016/17 to discuss its projections, progress against the business plan and any risks to the organisation.
4. Key should alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
- audited financial statements and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - Annual Return on the Charter.

This plan will be kept under review and may be changed to reflect particular or new events. The engagement strategy set out in this plan does not restrict us from using any other form of regulatory engagement to seek additional assurance should the need arise. Our regulatory framework and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Key Housing Association Ltd is:

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We have decided what type of engagement we need to have with this organisation based on information it provided to us. We rely on the information given to us to be accurate and complete, but we do not accept liability if it is not. And we do not accept liability for actions arising from a third party's use of the information or views contained in the Regulation Plan.